

~ Taking various measures to secure liquor tax revenues and lead to the development of liquor industry successfully ~

Both land tax and liquor tax accounted for a large share of total revenue sources in the Meiji era, especially, liquor tax revenues exceeded land tax revenues at one time. Thereafter, there has been an increase in the relative weight of income tax, corporation tax and consumption tax, etc., and in FY2014, liquor tax revenues comprised only 2.3% (¥1,327.6 billion) of all tax revenues. Even though the current portion of liquor tax revenue is limited, it fulfills an important role for national tax revenue even today because of the fact that liquor tax is not affected much by the economy, which provides stable tax revenues.

Compared with food items, a high tax rate is imposed on liquor. For securing liquor tax revenues appropriately and smoothly shift the tax burden onto customers, there is a liquor licensing system for manufactures and sellers.

The NTA, as the authority for the liquor industry, has taken various measures to lead to the development of liquor industry successfully with considering the recent changes in the environment faced by liquor industries, such as decreasing domestic consumers because of the arrival of decreasing population and diversifying lifestyles, and rising health consciousness.

In recent years, the government has been developing environment for exporting liquors produced in Japan.

(1) Initiatives to ensure safety of liquor and enhance quality levels

~ For the purpose of providing consumers with safe and good quality liquors ~

The NTA works to ensure safety and high level of quality in the process of production through consumption of liquors.

Specifically, the NTA provides the liquor business operators with technical guidance and consultation concerning the safety of liquors, examines safety, quality and labeling of commercially sold liquor. The results of examination are listed on the NTA website.

With regard to the Fukushima No.1 Nuclear Power Plant accident, the NTA has been taking measures to ensure the safety of liquors in alliance with the National Research Institute of Brewing by radioactive examination on liquors.

National Research Institute of Brewing (NRIB)

National Research Institute of Brewing (NRIB) performs advanced analyses and appraisals of liquor and conducts studies and researches to theoretically support its analyses and appraisals, which are required for the proper and fair taxation of liquor tax and the sound development of the liquor industry, the mission of the NTA. The NRIB also provides human resources development courses that combine advanced skills and practical management, and holds nationwide tasting parties for new sake to maintain and strengthen liquor manufacturers' skills. In recent years, the NRIB has been addressing measures on the basis of government's important policies including the promotion of Cool Japan Strategy, and enhancing cooperation with related organizations at home and abroad as a national center for liquor.

For further details, please visit the NRIB website (<http://www.nrib.go.jp/English/index.htm>).

The NRIB distributes the latest information concerning liquor information magazines and event information through its e-mail magazine. To register, please send a blank e-mail to ssn@m.nrib.go.jp (Registration is also available with the QR code on the right).



Analysis on liquor for export





(2) Promoting the development of the liquor industry

~ Establishment of labeling rules ~

From the perspective of promoting international awareness of “Japan wine” and easy-to-understand labeling for consumers, the NTA established the “Labeling standards for manufacturing process and quality of wine, etc.” on October 30, 2015.

In addition, from the viewpoint of promoting the use of geographical indication (GI), which is effective in improving the brand value of liquor made in Japan, the geographical indication system was revised on October 30, 2015. Moreover, based on the revised system, in light of improving the brand value of the overall sake, “Nihonshu / Japanese sake” was designated as a geographical indication at a country level on December 25, 2015.

~ Development of export environment for liquor made in Japan ~

Export amount of Japanese liquor has been on the rise in recent years due to an overseas Japanese food boom and other factors, and reached approximately 39 billion yen in 2015, marking a record-high for 4 consecutive years. While the largest export amount was achieved by sake (approximately 14 billion yen), the export of whisky and beer has also been increasing.

In order to develop the export environment, the NTA is taking the following initiatives:

Where the regulations or systems of the export destinations are the barriers, the NTA has made various efforts to remove such trade barriers by utilizing the government-level talks for the Economic Partnership Agreement (EPA) or the framework of World Trade Organization (WTO).

Under the Trans-Pacific Partnership (TPP) Agreement signed in February 2016, all participating countries agreed to the abolition of duty on liquor. Also, Japan and the U.S. agreed to carry out procedures for mutually protecting geographical indications for liquor.

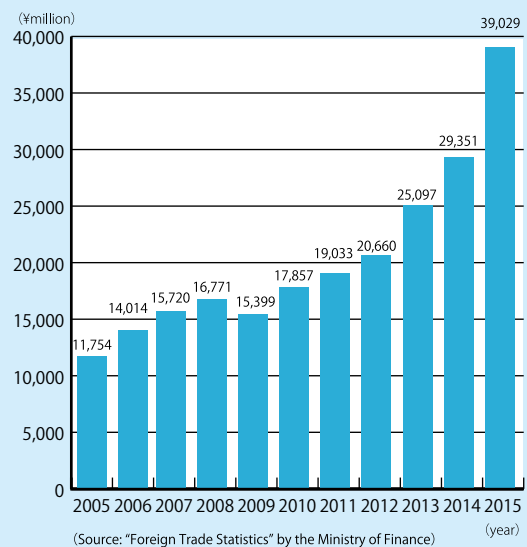
After the accident at Fukushima No. 1 Nuclear Power Plant caused by the Great East Japan Earthquake, some export destinations introduced import restrictions. The NTA has been urging these countries to lift or to mitigate the restrictions in cooperation with the Ministry of Foreign Affairs and the National Research Institute of Brewing.

As the result, restrictions on Japanese liquors have been lifted or mitigated in the EU, Brazil, Malaysia, Russia, Thailand and Egypt.

~ Providing information to liquor business operators ~

The NTA organizes a variety of seminars conducted by business-guidance experts, introduces actual cases of revitalization and management innovation attempted by liquor business operators, and provides information on measures for small- and medium-sized companies. It also examines and analyzes the industry trends based on various surveys conducted on manufacturers and distributors, and provides these results on the NTA website.

● Trend in the export amount of sakes



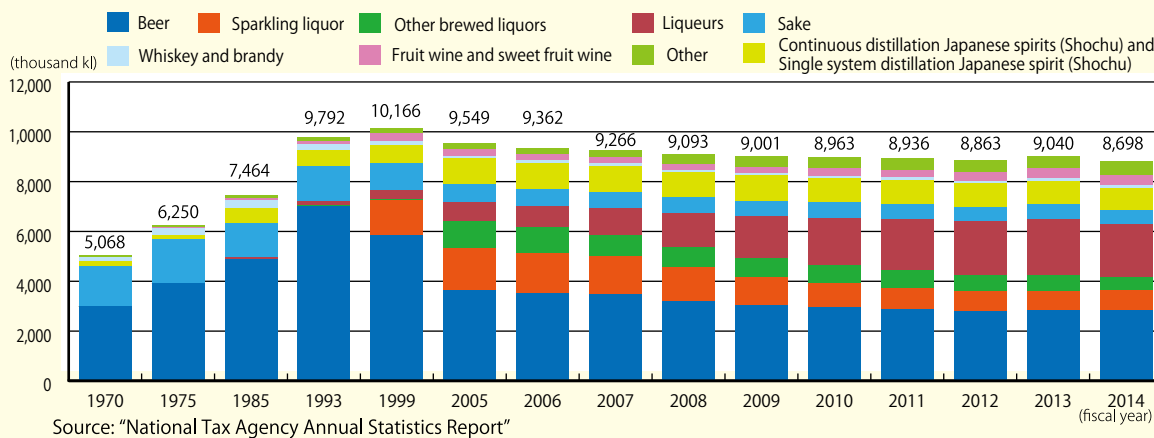
Column 11

Recent trends in Japanese liquors

The environment for liquor in Japan has been changing in response to a decrease in population due to a declining birthrate and aging population, the rise in health and safety awareness among citizens, and diversification of lifestyle, resulting in the decreasing trend in the consumption of liquor overall.

● Changes in taxable volume

Note: Taxable volume indicates the volume of liquor shipped from a factory or imported on which a liquor tax was imposed.



《Sake》

The taxable volume of sake has been decreasing after peaking in 1975, and in 2014, it fell to roughly 30 percent from its peak. Against this backdrop, the breakdown of the taxable volume of sake indicates that the percentage of sake with a specific class name such as Ginjo-shu (high-quality sake brewed from rice grains milled to 60 percent of its weight or less) and Junmai-shu (sake in which the only ingredients are rice and malted rice) accounts for roughly 30 percent of sake and is increasing every year.

(Reference) Sake with a specific class name

Specific class name	Ginjo-shu	Junmai-shu	Junmai ginjo-shu	Honjozo-shu
Ingredient	Rice, malted rice, distilled alcohol	Rice, malted rice	Rice, malted rice	Rice, malted rice, distilled alcohol
Percentage of rice-grain weight remaining after milling	60% or less	—	60% or less	70% or less
Percentage of the weight of koji rice (polished rice used to produce malted rice) among the weight of polished rice	15% or more	15% or more	15% or more	15% or more
Conditions such as flavor	Brewed from the finest rice, characteristic flavor, excellent color	Excellent flavor and color	Brewed from the finest rice, characteristic flavor, excellent color	Excellent flavor and color

《Fruit wine》

While the taxable volume of overall liquor is decreasing, the taxable volume of wine and other fruit wines has been on the rise in recent years.

Especially, "Japan wine," which is made from Japanese grapes only, have been rated higher on the market in recent years. For example, the quality of some Japan wines is high enough to win prizes at international competitions.

《Whisky》

Japanese whisky wins prizes at international contests every year, and is highly regarded all over the world. Japanese whisky is considered as one of the five best whiskies in the world as is Scotch whisky, and its export has been considerably expanding.

《Beer》

The consumption of beer and sparkling liquor has been decreasing. The quality of Japanese beer is highly valued as seen in the example of winning prizes at international beer competitions, and its export has been expanding.

《Japanese spirits (shochu)》

A stable consumption of Japanese spirits (shochu) has been established in recent years. Regional branding derived from various ingredients, traditions, and the culture is increasing, and "Iki," "Kuma," "Satsuma," and "Ryukyu" are designated as geographical indications thus far.



Column 12

Promotion of Japanese liquors

1 Initiatives to expand exports

The NTA regularly exchanges opinions with liquor industry organizations and organizes seminars for individual liquor business operators to provide knowledge on trading business and other information with the support of the Japan External Trade Organization (JETRO) and relevant ministries, etc. so as to aid liquor business operators in smooth exports.

To enhance the name recognition of Japanese liquor overseas, the NTA sends its officials to international conferences and events (e.g., the World's Fair in Milano) held abroad to promote Japanese liquor with cooperation from relevant organizations. The NTA also conducts tours at sake manufacturers for foreign ambassadors living in Tokyo in cooperation with the liquor industry to promote dissemination and awareness of the attractiveness of liquor made in Japan.



Tours at sake manufacturers

2 Initiatives to improve brand value

(1) Establishment of labeling rules for wines

While various types of wines are on the market, such as wines made by Japanese grapes only or made by imported ingredients, there was no official labeling rule for wines to distinguish between these differences. Amid such circumstances, from the perspective of easy-to-understand labeling for consumers and the improvement in the brand value of Japan wines, the NTA established the "Labeling standards for manufacturing process and quality of wine, etc." pursuant to laws. The standard defines wines in which the ingredient is only grapes made in Japan as "Japan wine" and wines made from imported ingredient (such as imported fruit juice) as "domestically produced wine" clearly distinguishing from one another.

We will aim at improving the brand value of Japan wines through the dissemination and awareness of this system in the future.

(2) Revision of geographical indication system

Under the geographical indication system for liquor, a liquor made from a characteristic ingredient or by production method in a specific production area can exclusively label the production area. While this system is effective in improving the brand value of Japanese liquor and promoting its export, areas designated as a geographical indication remained six areas until this point.

Against this backdrop, we implemented a system reform such as expanding the scope of targeted liquor to all items and clarifying the requirements to obtain a designation in order to promote the application of the system.

In the future, we will encourage the application of the system through the dissemination of this revised system.

(3) Designation of the geographical indication "Nihonshu / Japanese sake"

With the designation of "Nihonshu / Japanese sake" as a geographical indication at a country level, in Japan, sake that can indicate "Nihonshu / Japanese sake" is limited to those produced in Japan and those in which rice and rice koji as the ingredient are originated in Japan.

We will lobby foreign countries to ensure that sake fulfilling the requirement above is exclusively allowed to indicate "Nihonshu / Japanese sake" through international negotiations in the future.

(3) Initiatives to develop a fair trading environment in liquor

~ For more fair liquor trade ~

For the promotion of voluntary initiatives of liquor business operators to secure fair liquor trade, the NTA has established the Guidelines on Fair Liquor Trade and is working to build the awareness and understanding of such guidelines.

The NTA also examines actual trade practices according to the guidelines, and if it finds cases in which trading does not comply with the provided rules, it provides guidance for improvements, etc. As a result of examination, if there is suspicion of violating the Anti-Monopoly Act, it can take actions such as reporting the cases to the Fair Trade Commission (FTC) and cooperates with the FTC to take appropriate action.

At the 190th session of the Diet, the Liquor Tax Law was partially revised whereby the “Standard of fair transaction” for liquor was established and regular attendance at the induction course for the sale and management of liquor became mandatory for the purpose of preventing excessive price competition of liquor. We will take appropriate action based on this revision in the future.

(4) Response to social demands

~ Preventing inducement to improperly drink liquors ~

To prevent of inducement to improperly drink liquors such as underage drinking, the NTA provides guidance to ensure labeling on liquor containers, obligatory indication where liquor is exhibited, and appointment of liquor sales managers where liquor is sold.

As the Basic Act on Measures for Health Problems from Alcohol came into force in June 2014, the NTA has been promoting awareness among the public about alcohol-related problems to increase interest in this issue and foster a better understanding for cooperation with the relevant ministries and agencies.

~ Recycling liquor containers effectively ~

In order to ensure effective use of resources, the NTA keeps liquor business operators informed about liquor container recycling and reducing food waste generated in liquor manufacturing processes, etc.